

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ITEM 21

AGENDA ID 13764

ENERGY DIVISION

RESOLUTION E-4623 (Rev. 1)

March 26, 2015

R E S O L U T I O N

Resolution E-4623. Approves San Diego Gas and Electric (SDG&E) Advice Letter (AL) 2680-E, filed to comply with Decision (D.) 14-09-005. Proposes an alternative performance-based ratemaking mechanism.

PROPOSED OUTCOME:

- The performance-based ratemaking mechanism proposed in AL 2680-E is approved.

SAFETY CONSIDERATIONS:

- Reliability performance incentives encourage the utilities to operate their systems in a safer and more reliable manner.

ESTIMATED COST:

- There may be some future cost to the utility to track and report performance against the benchmarks.

By Advice Letter 2680-E filed on December 12, 2014.

SUMMARY

This Resolution approves the alternative performance-based ratemaking (PBR) mechanism proposed in AL 2680-E. It is compliant with the modifications to D.13-05-010 ordered in D.14-09-005. The proposed PBR mechanism is adopted as a result of the Joint Petition For Modification (PFM) filed by SDG&E and the Coalition of California Utility Employees (CCUE) on June 5, 2014. D.14-09-005 modified D.13-05-010 and directed SDG&E to file a new Advice Letter to describe the revised PBR mechanism.

BACKGROUND

In D.13-05-010, OP 9, SDG&E was directed to propose a set of reliability performance incentives consistent with what had been adopted in D.08-07-046, updating the targets that would have been in effect in 2010.

In AL 2518-E, timely filed on September 6, 2013, SDG&E outlined the “Proposed Reliability Performance Incentives Consistent with OP 9”.¹ The AL listed the required performance targets and incentives applicable to years 2014-2015 in Table 1² as required by D.13-05-010.

However, SDG&E also proposed a replacement PBR mechanism, which was outside the scope of D.13-05-010, and thus could not be considered as a replacement for the mechanism required by that Decision. SDG&E proposed the alternative mechanism because SDG&E asserted the performance incentives required by D.13-05-010 OP 9 “are not appropriate due to SDG&E’s prior reliability improvement”³ and that “they would penalize SDG&E for prior reliability improvement.”⁴

SDG&E went on to assert in AL 2518-E that the new metrics introduced, Worst Circuit SAIDI and Worst Circuit SAIFI will allow it “to improve reliability in areas that have the greatest need.”⁵

Energy Division’s review of AL 2518-E concluded that SDG&E should file a PFM in order to receive consideration of its new PBR proposal as a replacement for what had been originally required by D.13-09-010. In order to further the PFM, AL 2518-E was rejected without prejudice by Energy Division on June 23, 2014.

¹ AL 2518-E at p. 5

² *Ibid.* p. 6

³*Ibid.* p. 7

⁴*Ibid.* p. 8

⁵*Ibid.* p. 18

SDG&E filed a PFM on March 17, 2014, to modify OP 9 of D.13-05-010. On April 16, 2014, CCUE filed a response in opposition to this PFM. Then on June 6, 2014, SDG&E and CCUE filed a Joint PFM resolving their differences. On September 11, 2014, the CPUC issued D.14-09-005 which modifies D.13-09-010 OP 9 to incorporate the new PBR proposed jointly by SDG&E and CCUE.

Finally, in response to D.14-09-005, OP 2, SDG&E timely filed a Tier 3 AL 2680-E that included the modified PBR originally proposed in AL 2518-E with modifications agreed upon with CCUE.

NOTICE

San Diego Gas and Electric states that a copy of the Advice Letter was mailed and distributed to utilities and interested parties and A.10-12-005 service lists.⁶

PROTESTS

There were no protests.

DISCUSSION

Energy Division has reviewed AL 2680-E and finds that it complies with D.14-09-005 OP 2.

D.14-09-005 modifies D.13-05-010 in order to allow SDG&E to propose a new PBR mechanism which supersedes the mechanism originally ordered by D.13-09-010 OP 9. D.14-09-005 OP 2 specifies the modified PBR requirements as follows:

“San Diego Gas & Electric Company is directed to file a Tier 3 advice letter within 90 days of the effective date of this decision, proposing a set of reliability performance incentives consistent with what was described in SDG&E’s Petition to Modify Decision 13-05-010, dated March 17, 2014 (including attachments, specifically SDG&E Advice Letter 2518-E, and

⁶ A cc list was attached to the AL

SDG&E's primary proposal for reliability indicators as set forth therein), and in the Joint SDG&E/CCUE Petition dated June 5, 2014.

- a. The advice letter shall include system average interruption duration index (SAIDI), Worst Circuit SAIDI, system average interruption frequency index (SAIFI), and Worst Circuit SAIFI with proposed targets, deadbands, increments, rewards, penalties and maximum amounts, and annual improvement measures for each index."

The AL contains a description of:

- Worst Circuit SAIDI and Worst Circuit SAIFI;
- Proposed targets, deadbands, increments, rewards, penalties and maximum amounts, and,
- Annual improvement measures for each index.

The descriptions of these parameters are included in the AL, as directed, and they are consistent with the Joint Petition for Modification filed by SDG&E and CCUE.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. D.14-09-005 OP 2 modified D.13-05-010 OP 9 to direct SDG&E to file a Tier 3 Advice Letter that proposes the new reliability performance incentive mechanism originally described in AL 2518-E and in the Joint Petition to Modify Decision 13-05-010.
2. SDG&E timely filed AL 2680-E, which is compliant with D.14-09-005 OP 2.

THEREFORE IT IS ORDERED THAT:

1. AL 2680-E is approved, effective as the date of this Resolution.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on March 26, 2015, ; the following Commissioners voting favorably thereon:

Timothy J. Sullivan
Executive Director